PROVINCE OF SASKATCHEWAN

09-10

ANNUAL REPORT

SASKATCHEWAN
LIQUOR & GAMING
AUTHORITY

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This annual report is also available online at www.slga.gov.sk.ca

Letters of Transmittal

Regina, Saskatchewan
June 28, 2010

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor, Province of Saskatchewan

Your Honour:

I am pleased to submit the Annual Report of the Saskatchewan Liquor and Gaming Authority (SLGA) for the period ending March 31, 2010. This report includes the financial statements in the form required by Treasury Board and in accordance with *The Alcohol and Gaming Regulation Act, 1997*. The financial statements show revenue totalling $1.0 billion with net income of $433.1 million.

During the past year, Government has continued its work toward building a strong foundation for economic growth and the creation of a safe and secure future for Saskatchewan families. Our Government is also dedicated to increasing transparency and accountability by inviting the public to measure our progress against our commitments to the Saskatchewan people. SLGA's strategies and actions are aligned with Government's direction to help deliver on Government's plan for Saskatchewan.

This annual report measures SLGA's success in meeting its commitments as outlined in its 2009-10 Plan. In addition, while facing a revised fiscal environment, this report demonstrates SLGA's commitment to managing expenditures responsibly. This Annual Report demonstrates significant progress in the last year on a number of the Government's public commitments that relate to SLGA.

Highlights of SLGA's accomplishments in 2009-10 include: the opening of a new liquor store in Melfort, two specialty wine store franchises in Regina and Saskatoon and the modernization of the rural franchise agreement to support business viability. New programs targeting responsible use in both the liquor and gaming sectors included the Report Impaired Drivers (RID) pilot project in Saskatoon; mandatory responsible gaming training program for VLT site contractors throughout the province; and the Know the Score 2 (kts2) responsible gaming awareness program delivered to several post-secondary campuses across Saskatchewan. SLGA's social reference pricing policy was expanded to include all product categories and now links the minimum retail price of a product to its alcohol content.

Annual reports are an important accountability document and they also help inform future planning and resource allocation in the upcoming years. Given the strong results SLGA has shown in 2009-10, I am confident that it will continue to be a positive contributor to the growth and prosperity of the province in the years ahead.

Christine Tell
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Letters of Transmittal

June 28, 2010
Honourable Christine Tell
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Honourable Christine Tell:

I have the honour of submitting the 2009-10 Annual Report of the Saskatchewan Liquor and Gaming Authority (SLGA) for the fiscal year ending March 31, 2010.

On behalf of SLGA, I acknowledge responsibility for this report and am pleased to provide assurances on the accuracy and reliability of the information contained within it.

This Annual Report highlights the many achievements of SLGA in 2009-10 and reflects another successful year for the organization.

Barry C. Lacey, CA, CMA
President & CEO
Saskatchewan Liquor and Gaming Authority

Introduction

This annual report presents SLGA's activities and results for the fiscal year ending March 31, 2010. It reports on the progress of public commitments made by SLGA and other key accomplishments in support of the *Government's Direction for 2009-10.*

The 2009-10 Annual Report describes SLGA's progress against SLGA's strategies and key actions identified in SLGA's Corporate Plan for 2009-10. The Report also measures progress against select performance measures identified in the Plan that are key to gauging the success of the organization relative to its public commitments. Due to the changing fiscal situation that Government faced during 2009-10, the timing and implementation of certain initiatives were reassessed to ensure the responsible management of expenditures. SLGA remains committed to the principles of enhanced accountability and will incorporate the values and the strategic direction of government in the planning and reporting process as the organization moves forward.

The 2009-10 Annual Report also sets the stage for future planning and budget processes by providing an opportunity to assess the accomplishments, results and lessons learned and identifying how to build on past successes for the benefit of Saskatchewan people.

Alignment with Government's Direction

SLGA's 2009-10 Annual Report aligns with Government's vision and three goals:

Government's Vision:
A secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing a high quality of life for all.

Government's Goals:

1. Sustain Economic Growth for the benefit of Saskatchewan People, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.

2. Secure Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.

3. Keep Government's Promises and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

SLGA works together with other Ministries and agencies to advance these goals and to help build the foundation for a secure and prosperous future in Saskatchewan.

In 2009-10, SLGA supported Government's goals through advancement in the following key areas.

- Ongoing modernization of the regulatory framework to improve business viability;
- Developing new partnerships and introducing new initiatives in support of the socially responsible sale and distribution of liquor and gaming products and services; and,
- Improving customer service in response to consumer demand.

In addition, SLGA's $433.1 million in net income for 2009-10 will help fund Government initiatives in priority areas such as health, education and infrastructure.

Overview

SLGA's Mission Statement

Serving Saskatchewan people with excellence while promoting economic growth through the socially responsible distribution, management, operation and regulation of liquor and gaming products.

The Saskatchewan Liquor and Gaming Authority (SLGA) is a Treasury Board Crown Corporation responsible for the distribution, regulation, management and operation of liquor and gaming across the province. SLGA achieves its mandate through socially responsible, fair and cost-effective services and programs delivered by employees at offices in Regina and Saskatoon, a liquor distribution centre in Regina and a network of 79 liquor stores in 64 communities throughout the province. SLGA partners with 186 small businesses in rural Saskatchewan to sell beverage alcohol on its behalf in communities not supported by a liquor store. In addition, two specialty wine store franchises, one in each of Saskatoon and Regina, opened in 2009-10.

SLGA fulfills a number of distinct roles in the provincial gaming sector. First, SLGA directly manages the majority of the province's electronic gaming machines, including the province's network of video lottery terminals (VLTs) and the slot machines at First Nations casinos. Second, SLGA plays an important role in regulating the province's eight casinos: six First Nations casinos operated by the Saskatchewan Indian Gaming Authority (SIGA); and two casinos in Moose Jaw and Regina operated by the Saskatchewan Gaming Corporation (SGC). Third, SLGA also licenses and regulates most other forms of gaming including bingo, raffles, breakopen tickets, Texas Hold'em poker and Monte Carlo events as well as the horse racing industry in the province.

As of March 31, 2010, SLGA employed approximately 1,103 staff throughout the province (the comparable figure in 2008-09 was 1,085), the majority of which work part-time. Approximately 90 per cent of employees are members of the Saskatchewan Government and General Employees' Union (SGEU) Local 6080.

SLGA operates under *The Alcohol and Gaming Regulation Act, 1997* and works in partnership with a broad range of stakeholders and clients, including: the Federation of Saskatchewan Indian Nations (FSIN); the Saskatchewan Indian Gaming Authority (SIGA); Indigenous Gaming Regulators (IGR); Western Canada Lottery Corporation (WCLC); the Canadian Restaurant and Foodservices Association (CRFA); the Saskatchewan Hotel and Hospitality Association (SHHA); the Saskatchewan Liquor Vendors Association (SLVA); liquor-permitted establishments; non-profit clubs; charity associations/individual charities; Pollard Banknote; the Canadian Vintners Association; the Responsible Gambling Council (RGC); the Canadian Centre on Substance Abuse (CCSA); the Brewers of Canada; Spirits Canada; and, the SGEU (see Appendix B for an overview of SLGA's stakeholders and partners).

SLGA has six divisions:

- The Retail Operations Division is responsible for the purchasing, warehousing, distributing and retailing of beverage alcohol in Saskatchewan. The Division oversees Saskatchewan's liquor stores, franchises and a central distribution centre.

- The Regulatory Compliance Division is responsible for the licensing, inspection and monitoring of liquor and most gaming activities in the province. The Division is also responsible for horse racing and provides a range of community information and education seminars.

- The Gaming Operations Division is responsible for the planning, implementation and management of the Video Lottery Terminal (VLT) program, breakopen vending machine program and the slot machines in First Nations casinos along with the implementation of the operational agreements relating to the province's First Nations casinos.

- The Corporate Services Division provides financial, administrative, procurement, information systems, property management and audit support services to the organization.

- The Human Resources Division provides strategic human resource direction and is responsible for human resource planning, recruitment, labour relations, total compensation, training, organizational development, and employee health, safety and productivity.

- The Policy and Planning Division is responsible for corporate planning, performance measurement, performance reporting, policy development and analysis, privacy/Freedom of Information, research and evaluation, and legislative services for the organization. The Division also plays a central role in the ongoing implementation of the Gaming Framework Agreement.

Progress in 2009-10

SLGA supports Government's goal to Sustain Economic Growth for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.

Support economic growth in liquor and gaming industries and associated sectors

Results:

- A retail store location study for both Regina and Saskatoon was completed in January 2010. This study will be used to initiate business planning regarding future retail store improvements and potential relocations in response to customer needs and growth in urban areas.

- A draft strategy has been developed to address the infrastructure needs of the Video Lottery Terminal Program. The plan continues to be refined to ensure long-term infrastructure requirements are addressed.

Measurement Results:

Liquor Sales

The dollar value of liquor sales has continued to grow over the past five years. This growth has been driven by a combination of volume increases, price increases and changing consumer preferences towards specialty and higher-priced products. Saskatchewan's strong economy with low unemployment rates, a growing population and strong income levels have all contributed to the growth in this sector.

	2005-06	2006-07	2007-08	2008-09	2009-10
Gross Liquor Sales	$400.9 M	$429.5 M	$469.7 M	$506.5 M	$541.1 M

VLT Revenue

SLGA operates the VLT program within a provincial cap of 4,000 VLTs that balances social and fiscal responsibilities. SLGA contracts with the Western Canada Lottery Corporation (WCLC) to operate and maintain the VLTs. This measure reflects the gross amount of VLT activity prior to the payment of VLT site commissions or operating expenses. VLT activity began to rebound in 2007-08 after the initial impact of the province-wide smoking ban; however, increased gaming opportunities from the casino sector in both Saskatoon and Swift Current in 2008-09 as well as changing player preferences combined to lower overall VLT activity in the province. This downward trend continued in 2009-10. As at March 31, 2010, there were 3,984 VLT machines at 641 sites in 313 communities in Saskatchewan.

	2005-06	2006-07	2007-08	2008-09	2009-10
Gross VLT Revenue	$232.6 M	$233.6 M	$247.1 M	$241.0 M	$225.8 M

VLT Site Commission

VLT site commission revenue for the year ending March 31, 2010 was $34.3 million compared to $36.6 million in 2008-09. SLGA owns the VLT machines and supports local businesses through a 15 per cent commission paid to liquor permitted establishments that host VLTs. Looking at the five-year trend, the peak in 2007-08 was primarily due to a one-time cost associated with the negotiated closing of the Emerald Casino in Saskatoon. This peak was followed by a decline in VLT activity in 2008-09 that has continued into 2009-10.

	2005-06	2006-07	2007-08	2008-09	2009-10
VLT Site Commission	$36.4 M	$36.6 M	$39.9 M	$36.6 M	$34.3 M

Charitable Gaming Grant

The charitable gaming grant program was implemented in 2006-07 to help stabilize revenue to the charitable gaming sector. The grant program issues grant payments equal to 25 per cent of the net revenue generated by an organization through licensed charitable gaming activities. In 2009-10, approximately $7.8 million in grant payments were expensed. The corresponding charitable gaming proceeds totalled $27.0 million compared to $26.4

million in 2008-09. Declining bingo sales were offset by continued growth in raffle sales combined with a slight increase in breakopen ticket sales.

	2006-07	2007-08	2008-09	2009-10
Charitable Gaming Grant	$5.0 M	$8.0 M	$6.7 M	$7.8 M

Note: The 2006-07 grant expense underestimated the actual liability and the $8.0 million expense in 2007-08 corrected this error. The amount expensed should have equalled $6.4 million in 2006-07 and $6.6 million in 2007-08.

Horse Racing Grant

Three tracks received support for horse racing: Marquis Downs, Melville Agri-Park and the Yorkton Exhibition Association. The grants provide funding for purses, racing operations, breeding incentives and facility improvements that support the horse racing industry in Saskatchewan. Total grants paid to the horse racing industry in 2009-10 were $1.5 million in support of a racing handle of $11.2 million. Comparable figures for 2008-09 were $1.5 million in grants with a racing handle of $11.4 million.

Modernize SLGA's policy framework to allow for greater flexibility and encourage increased involvement by stakeholders in the economy

Results:

- In an effort to create a more flexible regulatory environment and encourage business creation and viability, SLGA initiated the review and refinement of select policies, operating agreements and contracts.
    - At year end, consultations with existing cottage wineries regarding proposed changes to the cottage winery policy were ongoing and remaining policy issues were being summarized for review. Completion of the policy and implementation are expected by summer 2010.
    - In consultation with the Saskatchewan Liquor Vendors Association, revisions to the rural franchise contract were completed in 2009-10. Key changes designed to improve business viability include:
        - creation of a term of five years, with automatic renewals unless either party provides notice of its intent not to renew;
        - allowing existing franchisees to sell the franchise as part of an ongoing operation (with SLGA approval of the purchaser and a requirement that the purchaser execute a franchise agreement with SLGA);
        - removal of the requirement that the franchisee be an individual;
        - removal of community residency requirements; and,
        - creation of minimum SKU (stock keeping unit) requirements for franchises to ensure adequate product selection.
- Specialty Wine Store Franchises were awarded to two applicants, one each in Saskatoon and Regina. Cava Secreta opened in June 2009 in Saskatoon, while Willow Park Wines and Spirits opened in November 2009 in Regina. Throughout the year, SLGA has worked and consulted with the franchises to guide them through new processes; explain liquor regulations that impact their operations; and, procure 1,500 unique products not offered in SLGA liquor stores. The stores, whose primary focus is specialty wines, also carry a selection of fine spirits and specialty beers as well as glassware and other liquor-related products and accessories. With the introduction of these new products to the Saskatchewan marketplace, combined liquor purchases by the two specialty wine stores from SLGA totalled $2.3 million in 2009-10.
- Advertising standards were revised to provide increased flexibility and opportunities in advertising with consistent application across all participants in the beverage alcohol

industry. Restrictions on the advertising of product pricing in all forms of advertising mediums have been lifted.

Measurement Results:

Liquor Purchases by Stakeholder

The following table illustrates the beverage alcohol purchases made by SLGA's partners, reflecting the extent to which the Saskatchewan market is served by a combined public/private distribution model. The rural and specialty wine store franchises and commercial permittees in turn generate additional revenue and economic activity through the re-sale of beverage alcohol in support of other core business areas such as accommodation, food services and retail sales.

Saskatchewan's strong economy and its impact on these business sectors are evident in the following figures. Both the rural franchises and commercial permittees have experienced growth in the dollar value of liquor purchases over the past five years. This increase has been driven by a combination of industry price increases, trading up by the consumer to higher-priced products and an increase in the volume purchased and ultimately sold by SLGA's partners.

Fiscal Year	Specialty Wine Store Franchise Purchases	Rural Franchise Purchases	Commercial Permittee Purchases
2009-10	$2.3 M	$47.9 M	$215.4 M
2008-09	- - -	$45.0 M	$210.7 M
2007-08	- - -	$41.4 M	$200.7 M
2006-07	- - -	$37.1 M	$186.8 M
2005-06	- - -	$35.2 M	$175.2 M

New Permit Categories

Effective April 1, 2009, changes in Saskatchewan's liquor laws allowed for the operation of U-brew/U-vin services as well as home delivery services for beverage alcohol.

- U-brew/U-vin permits allow eligible businesses to offer supplies, space, equipment and expertise to customers who want to make their own beer and wine on-site. There were 14 U-brew/U-vin permits issued in 2009-10.

- The introduction of a liquor permit for home delivery provides an additional revenue source for existing delivery companies and other interested businesses and allows commercial permittees an additional opportunity to serve the home consumption beverage alcohol market. Seven home delivery permits were issued in 2009-10.

SLGA supports Government's goal to Secure Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.

Strengthen the socially responsible sale and distribution of liquor and gaming products in an effort to reduce the adverse consequences of these activities

Results:

- SLGA reviewed the Responsible Gambling Council's study on best practices in casino self-exclusion policy/regulations and conducted an inter-jurisdictional review to determine the success of any changes that were implemented in other jurisdictions, if any, as a direct result of this report. In addition, SLGA has initiated discussions with both Saskatchewan casino operators to begin collaboration on a revised policy and process.

- In consultation with Tourism, Parks, Culture and Sport (TPCS), SLGA reviewed the existing regulatory framework for ticket lotteries and is supportive of TPCS's planned actions to strengthen oversight of this gaming activity.

- A mandatory responsible gaming training program was developed and delivered to all VLT site contractors in 2009-10. The training program assists VLT site contractors in the identification of signs of problem gambling behaviour and provides strategies to address such conduct. Forty-three training sessions were held during

the course of the year in various locations throughout the province. Approximately 830 owners, managers and employees from all 641 VLT sites received this training.

- The Report Impaired Drivers (RID) Program was piloted by SGI, SLGA, MADD Canada, Rawlco Radio and the Saskatoon Police Service in March 2010. The program encourages people to call 911 if they suspect an impaired driver. SGI, SLGA and MADD are exploring other initiatives that can be jointly supported to promote awareness and prevention of drinking and driving.

- In March 2010, SLGA launched the *Know the Score 2 (kts2)* program at the University of Regina and University of Saskatchewan campuses as well as four SIAST campuses across Saskatchewan. *Know the Score 2* is a campaign delivered by the Responsible Gambling Council (RGC) that promotes awareness related to the risks of developing gambling problems. The campaign features in-person interaction with students as well as an interactive website that allows students to test their knowledge about gambling. The program explores the real chances of winning, highlights signs of problem gambling and suggests ways to keep gambling safer, allowing young adults to make informed decisions regarding their gambling behaviour.

- SLGA has partnered with the Ministries of Justice and Corrections, Public Safety and Policing to develop a social marketing campaign aimed at reducing alcohol-related violence in northern Saskatchewan. Following a request for proposal process, a contract was awarded to Sigma Analytics to complete the market research component of the campaign.

- The Saskatchewan Responsible Gaming Association has been wound down and replaced by a responsible use committee that will collaborate in the development of initiatives that promote responsible use related to both gaming and beverage alcohol. The committee has representation from SLGA, Saskatchewan Hotels and Hospitality Association (SHHA) and the Canadian Restaurant and Foodservices Association (CRFA). In 2009-10, the committee collaborated on the development of responsible gaming print material for distribution at VLT sites.

- In an effort to reduce alcohol related harm, Social Reference Prices were developed for all beverage alcohol categories. Minimum retail prices were established that are linked to the level of alcohol concentration in the product. Social reference pricing is a harm reduction policy tool supported by the Canadian Centre on Substance Abuse and the World Health Organization. The new policy that came into effect on April 1, 2010 ensures that all products are treated equitably with respect to alcohol content, preventing the sale of low-cost high-alcohol products that are at higher risk for abuse.

- During the year, SLGA met with La Loche RCMP and town officials to discuss options to improve alcohol-related safety and decrease abuse. In support of this initiative, a decision was made to alter store hours, closing one hour earlier effective April 1, 2010. SLGA will be monitoring the impact on purchasing patterns and community safety throughout the six month pilot project period.

Measurement Results:

Know the Score 2 (kts2)

Approximately 1,200 students evaluated the effectiveness of the *kts2* program in increasing awareness of gambling issues. Ninety-five per cent of respondents said campus programs like *kts2* are a good way to get problem gambling information to students.

When asked about the likelihood of the program increasing their own awareness of specific issues, the results were also favourable, as shown in the following table.

	Very likely %	Somewhat likely %	Very unlikely %	I knew already %
Real chances of winning and losing	20.3	37.6	6.3	35.8
Signs of problem gambling	29.3	30.1	3.5	37.1
Provincial problem gambling services	37.3	33.9	3.1	25.7
Ways to keep gambling safer	31.5	36.0	2.7	29.8

Regulatory and Compliance Measures

SLGA's regulatory framework supports the socially responsible sale and distribution of liquor and gaming products and services. SLGA develops, administers and enforces the laws and regulations pertaining to the province's liquor and gaming sectors. SLGA works in collaboration with law enforcement authorities and other regulatory agencies in order to ensure greater effectiveness and efficiency in monitoring both liquor and gaming activities throughout the province. SLGA also conducts comprehensive site inspections and investigates complaints. All of these functions are designed to ensure the integrity of the liquor and gaming sectors in the province within a legal framework that is both fair and responsible.

- SLGA issued 1,681 commercial liquor permits to hotel taverns, nightclubs, brew pubs, restaurants and a variety of special use premises in accordance with *The Alcohol and Gaming Regulation Act, 1997*. Of these, 450 held an off-sale endorsement.

- Special occasion permits (SOPs) are required for anyone serving alcohol at special events such as weddings, cabarets and fundraisers. There were 15,938 SOPs issued in 2009-10 (excluding extended hour and extended day permits).

- SLGA licenses and regulates charitable forms of gaming including bingo, raffles, breakopen tickets, Texas Hold'em poker and Monte Carlo events, as well as temporary exhibition casinos. The total number of charitable gaming licences issued in 2009-10 was 3,129. This number does not include charitable gaming licences that were issued by Indigenous Gaming Regulators (IGR) for on-reserve charitable gaming activity.

- SLGA registers all gaming employees in the province, as well as suppliers of gaming and non-gaming goods and services to the industry. In 2009-10, SLGA registered 3,712 gaming employees and 77 suppliers.

- In 2009-10, the total number of sanctions increased to 320, from 309 in 2008-09. As of March 31, 2010, SLGA had imposed 130 liquor-related sanctions, 136 charitable gaming-related sanctions and 54 horse racing sanctions. Sanctions include warnings, suspensions and fines depending upon the violation and past compliance history.

- Inspection and investigation contacts totalled 6,435 and 2,207 respectively. Additionally, to ensure compliance with policies and procedures, there were 62 audits and reviews of liquor stores, casinos, charitable gaming organizations and SLGA head office operations in 2009-10.

- SLGA provides a range of formal consultations and educational workshops to a variety of stakeholders and clients about regulatory compliance standards. These workshops take place in communities across the province and are intended to promote awareness about the laws and regulations governing the liquor and gaming industries in Saskatchewan. In 2009-10, SLGA conducted 314 formal workshops/meetings/consultations, up from 302 in 2008-09.

Promote environmental stewardship by implementing sustainable business practices

Results:

- In an effort to further SLGA's commitment to environmental stewardship, SLGA continues to look for opportunities to operate in a more environmentally friendly manner.

- Reusable shopping bags were introduced in SLGA liquor stores in November 2009. The bags, which sell for 97 cents and hold up to six bottles, encourage customers to "Bring Your Own Bag." With the introduction of reusable bags, plastic bags will be phased out as stock is depleted.

- SLGA is continuing its focus to reduce utility and energy consumption by converting to energy efficient products as part of annual maintenance if required and as part of regular life-cycle equipment replacement.

- In conjunction with the Canadian Association of Liquor Jurisdiction's initiative to establish a standard case weight, SLGA has been working with its suppliers to make the necessary changes to comply with the new lower weight standard (18.9 kilograms). In some cases, suppliers will be changing packaging from glass to plastic bottles or a lighter weight glass that will ultimately reduce fuel emissions related to shipping.

- The energy audits conducted on select SLGA properties confirmed that the retrofit work already performed by SLGA is sound and is achieving the energy savings intended. It was determined that the cost of additional energy audits and potential energy savings from building modifications do not justify continuing the energy audit program.

SLGA supports Government's goal to Keep Government's Promises and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

Support and strengthen the collaborative partnership between SLGA and First Nations

Results:

- SLGA continues to work collaboratively with the Federation of Saskatchewan Indian Nations (FSIN) to fulfill commitments under the Gaming Framework Agreement (GFA).

- In 2009-10, SLGA continued its close working relationship with the Saskatchewan Indian Gaming Authority (SIGA). SLGA meets with SIGA's Board of Directors and senior management on a regular basis to discuss issues pertaining to their casino operations and to ensure commitments made in the Casino Operating Agreement are met.

- Indigenous Gaming Regulators (IGR) was assigned responsibility for licensing and regulating on-reserve charitable gaming under a Licensing Agreement between SLGA and IGR. The scope of IGR's mandate continues to expand over time and will eventually include the licensing of on-reserve charitable gaming employees and suppliers. Collaborative efforts continued between SLGA and IGR in 2009-10.

    - On April 21, 2009, in conjunction with SLGA, IGR began providing regulatory services respecting SIGA's Living Sky Casino in Swift Current, pending the casino land being designated reserve land;

    - The SLGA-IGR Standing Committee met quarterly to discuss matters of mutual concern respecting charitable gaming regulation; and,

    - SLGA initiated informal discussions with IGR regarding the timing and content of future negotiations for phases 2 and 3 of on-reserve regulatory delegation.

Measurement Results:

SIGA Net Income

This measure reflects the total net income generated by SIGA casinos after deducting operating expenses. As required by section 207 of

The Criminal Code of Canada, SLGA owns the slot machines located in SIGA casinos. The revenue generated from the machines is distributed according to the revenue sharing formula in the 2002 GFA between the Province and the FSIN.

The General Revenue Fund (GRF) retains 25 per cent of SIGA's net profits (after defined payments) in support of broader provincial objectives. The remaining 75 per cent is distributed back to First Nations communities via the First Nations Trust (FNT) and Community Development Corporations (CDCs). The FNT supports economic development, social development, justice, health, education, culture and other First Nations initiatives. The CDCs fund economic development, social development, justice, education, recreation, culture, health and other related initiatives among First Nations and non-First Nations in and around the communities where the casinos are located.

Under the GFA, payments are also made from SIGA profits to: IGR ($2.9 million) to support its work in regulating charitable gaming on-reserve; the First Nations Addictions Rehabilitation Foundation ($2.25 million) for problem gambling services; and, to the FSIN to support its efforts to prepare proposals for the federal government regarding on-reserve gaming jurisdiction ($250,000) and for other gaming initiatives ($250,000). These payments are made prior to the profit distribution described previously.

SIGA opened the Dakota Dunes Casino in 2007-08 and the Living Sky Casino in 2008-09 resulting in the addition of 750 slot machines over two years. Additional slot machines have contributed to the continued growth of SIGA's net income. Net income for SIGA totalled $65.1 million in 2009-10.

	2005-06	2006-07	2007-08	2008-09	2009-10
SIGA Net Income	$40.2 M	$48.8 M	$58.1 M*	$59.9 M	$65.1 M

* 2007-08 SIGA net income was restated in 2008-09 to reflect expenses related to interest rate swap.

Ensure continuous improvement in internal operational efficiency and productivity

Results:

- SLGA met its commitments with respect to the development of a Corporate Business Continuity Plan (BCP). SLGA's Plan consists of: a Crisis Management Team Response Plan; Business Unit Contingency Plans; Information Technology Disaster Recovery Plan; and, the Governance and Maintenance Plan.
    - SLGA's BCP will ensure the stability of the liquor purchasing and supply line (to stores, franchises and commercial permittees) and ensure the continuity of retail store operations in the event of an emergency situation. The plan also allows SLGA to continue to communicate to employees, business partners, stakeholders and customers across regulatory, gaming and internal operations.
    - In addition, a contingency plan is being finalized that will expand the BCP to include the loss of SLGA's distribution and warehouse operations.
- In 2009-10, the special liquor order process was merged with SLGA's existing supply chain process. Implementation of this initiative improved accountability, streamlined the special order and delivery process and enhanced the organization's capacity to accommodate increased special order activity generated through the creation of specialty wine store franchises. Since implementation, more than 3,200 special liquor orders were processed through the online system, generating $3.7 million in liquor sales.
- SLGA initiated a review of the warehouse and supply distribution centre to address operational pressures resulting from increased sales volumes and demand for expanded product selection. The warehouse/supply chain capacity review will assist the decision making process as it relates to operational efficiencies and future growth.

Measurement Results:

Store Operating Costs as a Per Cent of Store Sales

This measure demonstrates SLGA's efforts to maximize liquor store revenues by using the least amount of operational resources (e.g., labour, capital and equipment). The increase in this indicator relative to 2008-09 can be explained by a one-time pension liability adjustment that occurred in 2008-09. Relative to 2007-08, this efficiency measure indicates significant improvement in the efficiency of store operations with store costs continuing to grow at a lesser rate than the increase in liquor sales.

	2005-06	2006-07	2007-08	2008-09	2009-10
Store Operating Costs as % of Store Sales	13.0%	12.7%	12.6%	10.6%*	11.1%

* The Liquor Board Superannuation Plan changed its long-term economic discount rate assumption because of the economic market conditions. This change resulted in a $3.4 million reduction in store labour related pension costs.

Warehouse Activity

- SLGA's distribution centre, located in Regina, processed 19,878 orders in 2009-10, an increase of 18.7 per cent from 2008-09 due primarily to increased sales volumes and the introduction of the specialty wine store franchises. The total number of orders equates to an average of 122 cases of product per order for stores and 30 cases per order for franchises. This represents an annual flow of approximately 1.83 million cases of beverage alcohol that are received, stored and ultimately shipped across the province.

Licensing, Regulating and Support Expenses as a Per Cent of Revenue

This is an efficiency measure that depicts the overall cost of generating revenue. The measure reflects SLGA's efforts to optimize revenue and incorporates the expenditures that SLGA requires to meet its operational and regulatory roles. The measure is an indicator of how efficiently SLGA conducts its internal operations and uses public resources.

SLGA's licensing, regulating and support expenses as a percentage of revenue for the year ending March 31, 2010 is 3.5 per cent, up from 3.1 per cent in 2008-09. The increase in the ratio for 2009-10 can be explained by the one-time adjustment (reduction in the Liquor Board Superannuation Plan liability) in expenses that occurred in 2008-09. The efficiency measure does indicate improvement relative to 2007-08.

	2005-06	2006-07	2007-08	2008-09	2009-10
Licensing, Regulation & Support Expenses* as % of Revenue	3.7%	3.5%	3.7%	3.1%**	3.5%

* Grant expenses are not linked to the overall cost of generating revenue in the licensing and support function of SLGA and as such are not included in this measure.

** The Liquor Board Superannuation Plan changed its long-term economic discount rate assumption because of the economic market conditions. This change resulted in a $1.1 million reduction in head office labour related pension costs.

VLT Net Income as a Per Cent of VLT Revenue

The profit margin on VLT operations indicates that in 2009-10, VLT activity generated 81 cents in net income to SLGA for each dollar of VLT revenue. This operating ratio had been relatively constant since 2005-06; however, SLGA's VLT inventory became fully amortized in 2008-09, significantly reducing annual operating expenses.

	2005-06	2006-07	2007-08	2008-09	2009-10
VLT Net Income as % of VLT Revenue	74.6%	74.9%	74.9%	81.2%	81.1%

SIGA Net Income as a Per Cent of SIGA Net Revenue

This measure equates to SIGA's profit margin and indicates that SIGA earned almost 27 cents on each dollar of revenue it generated. The decline in this ratio relative to 2006-07 reflects start-up costs associated with the opening of the Dakota Dunes and Living Sky casinos as well as construction costs

associated with the expansion and relocation of the Painted Hand Casino in Yorkton.

	2005-06	2006-07	2007-08	2008-09	2009-10
SIGA Net Income as a % of SIGA Revenue	34.7%	37.8%	31.5%*	26.0%**	26.7%

* 2007-08 figure was restated in 2008-09.

** 2008-09 figure is being restated due to policy changes regarding the reporting of ancillary revenues and the expense of complimentary coupons.

Marginal Return on Expenses (MRE)

The MRE is intended to demonstrate SLGA's overall return on investment for the expenditures it makes. The measure expresses a ratio between the change in net income compared to the change in total expenses where any outcome greater than zero is a positive outcome. This measure reflects the principle that while operating expenses can increase, this growth in expenditures often translates into an increase in net income.

In 2005-06, the MRE was negative following a decline in VLT revenue that coincided with the implementation of the province-wide smoking ban. The negative outcome in 2009-10 can be explained by the one-time adjustment of $4.5 million (reduction in the Liquor Board Superannuation Plan liability) that reduced expenses in 2008-09. Without this one-time expense reduction in 2008-09, growth in net income would have occurred in 2009-10, resulting in a positive MRE ratio. SLGA has some influence over aspects of this measure, especially regarding operating expenses and policy development aimed at growing net income over time. On average, this measure indicates that increased expenses and capital investment has translated into increased net income.

	2005-06	2006-07	2007-08	2008-09	2009-10
MRE	(0.94)	1.61	0.49*	2.23	(0.11)

* 2007-08 MRE was restated in 2008-09 to reflect restatement of SIGA net income.

Provide responsive and high quality services to customers and stakeholders

Results:

- SLGA launched www.saskliquor.com in December 2008. In 2009-10, SLGA added information regarding monthly specials (also known as Limited Time Offers) to let customers know what products were being offered at a reduced price in SLGA stores. Saskliquor.com has proven to be an excellent resource for customers to view the inventory available at SLGA retail locations, place special orders online and find general store information.

- Historically, SLGA has conducted customer satisfaction surveys every two years to monitor overall levels of customer service and to measure customer response and demand for specific initiatives. A follow-up survey was planned for 2009-10; however, due to expenditure constraints, a decision was made to defer the survey until 2010-11. The new timeline will allow SLGA to monitor the success of the recently developed Customer Service Excellence training program which will be rolled out to all employees next year.

- SLGA opened a new liquor store in Melfort in July 2009. The new store is larger, offers more product selection, increased hours of operation and improved access. The more spacious shopping environment facilitated a 50 per cent increase in the number of products offered and has been well received by customers and the community.

- SLGA developed and launched a corporate Customer Service Excellence training program in 2009-10. The program is being rolled out in two phases. Phase 1, a two-day program for managers and supervisors, provides training in the fundamentals of customer service excellence as well as coaching techniques to assist employees and help instil the importance of customer service throughout the organization. Phase 2 is a one-day training session for all employees, intended to help improve the level of responsiveness and

quality of service customers and stakeholders receive in the provision of SLGA goods and services.

Measurement Results:

Product Offerings

- In 2009-10, SLGA listed 2,124 products, which includes general listings, specialty listings and domestic and imported beer. In addition, 1,500 new products were introduced to the market with the opening of the two specialty wine store franchises.

Customer Service Excellence Training

- Approximately 190 managers and supervisors attended Phase 1 of the Customer Service Excellence training.

Representative Workforce

Having a workforce that is representative of the population that it serves is a key element to excelling in customer service. The following measure depicts the employment status of the four equity groups within SLGA. SLGA has set the Saskatchewan Human Rights Commission's equity group employment targets as a long-term goal. For 2009, targets are 47 per cent of employees at all levels are female; 14.8 per cent are Aboriginal people; 9.7 per cent are persons with disabilities; and, 3.1 per cent are visible minorities. Employees were resurveyed in April 2009, providing current employees with the opportunity to self-identify as equity members. Year end results show increased representation in all equity groups.

Equity Group	2005-06	2006-07	2007-08	2008-09	2009-10
Aboriginal People	5.3%	5.2%	5.2%	4.3%	6.3%
Women (Overall)	60.0%	61.9%	61.8%	61.4%	62.7%
Persons with Disabilities	3.7%	2.7%	2.7%	1.9%	3.6%
Visible Minority Persons	2.9%	2.7%	2.7%	2.4%	2.8%

Customer Satisfaction

Retail customer satisfaction levels for SLGA are very high. However, relative to 2002-03 when the first customer satisfaction survey was conducted, there has been a slight decline in satisfaction. In response to the 2007-08 results, SLGA initiated focus group sessions in April 2008 to identify specific areas of concern. The survey and focus group results identified a demand for greater product selection as well as increased product knowledge and engagement of store staff. The decision to open a specialty wine store franchise in each of Saskatoon and Regina was supported by this result as was the new customer service training launched this year. The next survey will capture the customers' response to these initiatives.

Customer Satisfaction Survey	2002-03	2004-05	2007-08
Satisfied with Customer Service	92%	91%	88%
Customer Service Meets or Exceeds Expectations	97%	96%	95%

Note: All survey results are considered accurate to within plus or minus 2.5 per cent at a 95 per cent confidence level. Telephone survey administered to 1,500 customers across Saskatchewan.

Financial Overview

The primary indicator of SLGA's financial success is SLGA's overall net income. SLGA's net income reflects the total net revenue generated by the province's liquor industry and the majority of the commercial gaming industry minus operating expenses, including associated regulatory and compliance costs. SLGA plays an important role in funding provincial programs and services by transferring its net income annually to the province's General Revenue Fund (GRF).

SLGA generated record revenue totalling $1.0 billion in 2009-10. Net income for 2009-10 was $433.1 million, down slightly from its 2008-09 net income of $435.0 million. The amount of net income realized in 2009-10 is below budget projections by $7.6 million largely due to lower than anticipated VLT activity. Liquor sales continued to be strong, showing growth relative to budget and the previous fiscal year. SIGA net income increased relative to 2008-09. However, net income was below initial budget expectations.

SLGA Net Income

Historically, SLGA has demonstrated a steady increase in its net income. Through increasing net income, SLGA contributes significantly to Government's revenue needs for funding key programs.

SLGA net income fell by $1.9 million in 2009-10 relative to 2008-09. The net impact was driven by an $8.1 million increase in net income from liquor operations and a $5.2 million increase in SIGA net income. This growth was offset by a decline in net income from VLT operations totalling $12.5 million and a decline in net income from other gaming of $2.7 million.

	2005-06	2006-07	2007-08	2008-09	2009-10
SLGA Net Income	$351.4 M	$370.3 M	$398.0 M*	$435.0 M	$433.1 M

* SLGA 2007-08 net income was restated in 2008-09 to reflect restatement of SIGA net income.

Management's Report

The accompanying financial statements, and related financial information throughout the Annual Report, have been prepared by management using Canadian generally accepted accounting principles. Management is responsible for the integrity, objectivity and reliability of the financial statements.

SLGA's management has established and maintains a system of internal controls that provides reasonable assurance that transactions are recorded and executed in compliance with legislation and authority; assets are safeguarded; there is an effective segregation of duties and responsibilities; and, reliable financial records are maintained. An auditing function exists within SLGA, which objectively assesses the effectiveness of internal controls.

The Provincial Auditor has examined the Authority's financial statements. The Auditor's Report to the Members of the Legislative Assembly of Saskatchewan expresses an independent opinion on the fairness of presentation of SLGA's financial statements in accordance with Canadian generally accepted accounting principles.

Barry C. Lacey, CA, CMA
President & CEO

R Wiley

Rod Wiley, CMA FCMA
Vice-President and CFO

Valerie Banilevic

Regina, Saskatchewan
June 29, 2010

Valerie Banilevic, CMA
Director, Financial Services

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Liquor and Gaming Authority (SLGA) as at March 31, 2010 and the statements of operations and retained earnings (deficit), and cash flows for the year then ended. SLGA's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of SLGA as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 29, 2010

Brian Atkinson, FCA
Acting Provincial Auditor

Statement 1

LIQUOR AND GAMING AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31

	2010 (000's)	2009 (000's)
ASSETS		
Current assets:		
Cash	$ 2,409	$ 5,251
Due from General Revenue Fund (Note 3)	42,492	39,645
Accounts receivable (Note 7)	53,203	34,070
Prepaid expenses	729	606
Inventories (Note 2(d) & 5)	28,620	26,059
	127,453	105,631
Property, plant and equipment (Note 6 & 8)	48,308	55,433
	$ 175,761	$ 161,064
LIABILITIES AND RETAINED EARNINGS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 29,191	$ 21,227
Payable to General Revenue Fund (Note 4)	116,121	113,709
Goods and Services Tax payable (Note 8)	862	2,055
	146,174	136,991
Accrued pension liability (Note 9)	40,174	37,823
	186,348	174,814
Retained earnings (deficit) (Statement 2)	(10,587)	(13,750)
	$ 175,761	$ 161,064

Commitments (Note 11)
Contingencies (Note 16)

(See the accompanying notes to the financial statements)

LIQUOR AND GAMING AUTHORITY
STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)
For the Year Ended March 31

	2010 Budget (000's) (Note 13)	2010 Actual (000's) (Note 14)	2009 Actual (000's) (Note 21)
Revenues:			
Liquor sales (Note 12)	$ 484,958	$ 541,095	$ 506,471
VLT	259,486	225,835	240,991
Slot machines (Note 10)	245,564	229,965	217,668
License, permit, and other income	3,125	3,513	2,638
	993,133	1,000,408	967,768
Less promotion allowances (Note 2(b))	9,898	8,764	6,788
	983,235	991,644	960,980
Direct expenses:			
Cost of Liquor	239,398	272,098	254,025
VLT site commission (Note 2(c))	38,923	34,264	36,556
	278,321	306,362	290,581
Operating expenses (Schedule 1):			
VLT, liquor, and other gaming	100,636	96,102	84,436
Slot machines	149,730	140,221	130,895
Other (Note 10)	13,866	20,739	12,765
	264,232	257,062	228,096
Unrealized gain (loss) on interest rate swaps (Note 10 & 18)	---	4,867	(7,346)
Net income for the year	$ 440,682	433,087	434,957
Retained earnings (deficit), beginning of year		(13,750)	(2,117)
Adoption of new accounting standards		---	62
Transfer to General Revenue Fund (Note 4)		(429,924)	(446,652)
Retained earnings (deficit), end of year – to Statement 1		$ (10,587)	$ (13,750)

(See the accompanying notes to the financial statements)

Statement 3

LIQUOR AND GAMING AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2010 (000's)	2009 (000's)
Cash flows provided by (used in) operating activities:		
Cash receipts from liquor sales, VLT, slot machines, and other revenue	$ 1,008,730	$ 1,001,099
Interest received	97	630
Payments made to suppliers, employees and other	(542,202)	(519,760)
Payments made to grant recipients	(10,134)	(9,080)
Payment of Goods and Services Tax	(22,201)	(20,976)
	434,290	451,913
Cash flows provided by (used in) investing activities:		
Purchase of property, plant and equipment	(7,337)	(13,505)
Disposition of property, plant and equipment	564	130
	(6,773)	(13,375)
Cash flows used in financing activities:		
Cash deposited in General Revenue Fund (Note 4)	(427,512)	(441,616)
Net increase (decrease) in cash position	5	(3,078)
Cash position, beginning of year	44,896	47,974
Cash position, end of year	$ 44,901	$ 44,896
Cash position consists of:		
Cash	$ 2,409	$ 5,251
Due from General Revenue Fund	42,492	39,645
	$ 44,901	$ 44,896

(See the accompanying notes to the financial statements)

LIQUOR AND GAMING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2010

1. Description of Business

The Liquor and Gaming Authority (SLGA) operates under *The Alcohol and Gaming Regulation Act, 1997*. SLGA's mandate is to support, develop and regulate the Saskatchewan liquor and gaming industries and to maximize public benefit through high quality services and products.

SLGA operates retail liquor stores and video lottery terminals. SLGA conducts and manages the breakopen vending machine program in the Province. It also owns and manages the slot machines at Saskatchewan Indian Gaming Authority's (SIGA) casinos. Revenue from slot machines at SIGA's casinos and related expenses are included in these statements.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, SLGA is classified as a government business enterprise. These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), applicable to for-profit entities. The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates that affect the reported value of assets, liabilities, and disclosed contingent liabilities and commitments at the date of the financial statements, and the amounts of revenue and expenses for the year then ended. The most significant estimates are related to the physical and economic lives of capital assets and accrued pension liability. Actual results could differ from those estimations. The significant policies are described below.

(a) Revenue

Liquor Sales

Sales are recorded net of returns, container deposits, Goods and Services Tax, Liquor Consumption Tax and discounts.

License Fees

Liquor and gaming license fees are recorded when the license is approved. Exhibition casino license fees are based on the net revenue generated by the exhibition casino. SLGA records these fees as the exhibition casino generates net revenue.

Video Lottery Terminals (VLT)

Revenue is recorded net of prize payouts.

Slot Machines

Revenues from casino slot machines are recorded net of prizes paid out.

(b) Promotional Allowances

SIGA offers a customer loyalty program to its patrons. As part of the program, club members accumulate points based on amounts wagered and can redeem their points for cash. The cash value of the points accumulated is recorded as a promotional allowance.

(c) VLT Site Commission

Establishments where VLT's are located are entitled to a commission based on 15% of the VLT revenue earned. The commission is recorded as the VLT revenue is earned.

(d) Inventories

Inventories of wines, coolers, spirits, beer and gaming machine parts are valued at the lower of average cost and net realizable value.

Cost for liquor inventories is determined using the weighted average cost method. Cost for gaming machine parts is determined principally on a first-in, first-out basis. Inventory cost includes the costs of purchase plus other costs, such as excise duties and taxes and transportation that are directly incurred to bring inventories to their present location. Previous write-downs of inventories to net realizable values are reversed when inventory values increase.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized commencing in the year in which these assets are placed in service on a straight-line basis at rates designed to allocate the cost of these assets over their estimated useful lives. Rates are as follows:

Buildings	2.5 – 20% per annum
Furniture & equipment	15 – 33% per annum
VLT and slot machines	20% per annum
Breakopen vending machines	15 – 33% per annum

Leasehold improvements are amortized over the lesser of the life of the asset or the term of the lease.

(f) Pension Expense

The cost of the pension benefits earned by employees, who are members of SLGA's defined benefit plan (closed to new members since 1977), is determined using the projected benefit method prorated on service. The amount of the expense reflects management's best estimate of the plan's expected investment performance, salary escalation, mortality of members, terminations, and the ages at which members will retire and post retirement increases, based upon the Consumer Price Index, as required by *The Superannuation (Supplementary Provisions) Act.*

The discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and the amount of expected benefit payments. Pension plan assets are valued at fair value (market value) for the purposes of calculating the expected return on plan assets. The net actuarial gain (loss), transitional obligation resulting from adoption of new accounting rules in 2001, and plan amendments are amortized beginning in the year they arise over the expected average remaining service life of members of the defined benefit plan.

Employees hired after 1977 are members of a defined contribution pension plan. SLGA expenses contributions it is required to make for current service of those employees. SLGA's liability for these employees is limited to the required employer's contributions.

(g) Grants

Grants are recognized when approved and eligibility criteria, if any, are met.

(h) Financial Instruments

Held for trading financial assets are measured at fair value. Changes in the fair value are recognized in the Statement of Financial Position and Statement of Operations and Retained Earnings (Deficit). For Cash and Due from General Revenue Fund, their fair value is determined at cost, which approximates market value. Cash denominated in foreign currency is translated at the foreign exchange rate in effect at year end.

Loans and receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

Fair value for the Payable to the General Revenue fund cannot be determined because of the nature of the account.

Pursuant to the Casino Operating Agreement (Note 10), SLGA authorized SIGA to enter into long-term debt arrangements. It also authorized SIGA to enter into interest rate swaps in order for SIGA to manage the interest rate exposure on its long-term debt. SLGA's exposure to the interest rate risk arising from this long-term debt, the interest rate swap arrangements, and SIGA's other financial instruments is disclosed in Note 18. Changes in the fair value of the interest rate swaps are recorded as an unrealized gain or loss in the year they occur.

SLGA has not identified any material embedded derivatives in any of its financial instruments that are required to be separately valued.

(i) Financial Instruments - Disclosure

Effective for its fiscal year ended March 31, 2010, SLGA adopted the Canadian Institute of Chartered Accountants' (CICA) new recommendations for disclosures relating to liquidity risk. Section 3862 *Financial Instruments – Disclosures* was amended to require enhanced disclosures for liquidity risk in response to current market conditions.

The adoption of this amendment did not have a significant impact on SLGA's financial statements.

(j) Recent Accounting Pronouncements

The Canadian Accounting Standards Board (AcSB) requires all publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS). IFRS will replace current Canadian GAAP for those enterprises effective January 1, 2011. For SLGA, IFRS will be effective for annual periods commencing April 1, 2011 as described in Note 19.

3. Due from General Revenue Fund

Most of SLGA's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. During the year, the General Revenue Fund did not pay interest on SLGA's bank accounts.

4. Disposition of Retained Earnings

Subsection 182(5) of *The Alcohol and Gaming Regulation Act, 1997* (Act) allows SLGA to provide interest fee advances to the Minister of Finance for deposits in the General Revenue Fund (GRF) until the Treasury Board determines the disposition of SLGA's retained earnings. Under subsection 182(1) of the Act, the Treasury Board may, at any time, direct that all or any portion of SLGA's retained earnings be transferred to the GRF. The Treasury Board has directed SLGA to transfer $429,924 thousand (2009 - $446,652 thousand) to the GRF under subsection 182(1) of the Act. At March 31, amounts payable to GRF were determined as follows:

	2010 (000's)	2009 (000's)
Payable to GRF at beginning of year	$ (113,709)	$ (108,673)
Deposits during the year	427,512	441,616
Transfer to GRF	(429,924)	(446,652)
Payable to GRF at end of year	$ (116,121)	$ (113,709)

5. Inventories

	2010 (000's)	2009 (000's)
Wines, coolers and spirits in stores	$ 7,607	$ 7,642
Wines, coolers and spirits in warehouse	11,392	10,852
Beer in stores	5,844	3,903
Gaming machine parts	3,777	3,662
	$ 28,620	$ 26,059

The cost of liquor and gaming machine parts inventories recognized as an expense during the year ending March 31, 2010 was $272,098 thousand and $426 thousand respectively. During the year, SLGA had no write-downs of inventory below cost and no reversals of inventories previously written down. As of March 31, 2010 there was no amount of inventory pledged as security.

6. Property, Plant and Equipment

	2010			2009		
	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)
Land	$ 2,292	$ ---	$ 2,292	$ 2,312	$ ---	$ 2,312
Buildings	30,145	17,462	12,683	30,136	16,699	13,437
VLT	70,345	69,715	630	70,554	69,567	987
Slot Machines	54,791	30,992	23,799	54,803	24,981	29,822
Furniture & equipment	37,306	29,394	7,912	34,924	27,337	7,587
Breakopen vending machines	2,978	2,976	2	2,987	2,984	3
Leasehold Improvements	8,393	7,403	990	8,287	7,002	1,285
	$ 206,250	$ 157,942	$ 48,308	$ 204,003	$ 148,570	$ 55,433

7. Accounts Receivable

	2010 (000's)	2009 (000's)
Slot machines receivable – SIGA	$ 49,845	$ 31,361
VLT receivable	1,787	1,168
Other	1,571	1,541
	$ 53,203	$ 34,070

8. Goods and Services Tax (GST)

SLGA is on the prescribed list of lottery corporations pursuant to Section 188 of the Federal *Excise Tax Act*. In lieu of collecting GST on VLT and slot revenue at the retail level, SLGA calculates and remits GST according to a formula prescribed by the Canada Revenue Agency.

The formula required SLGA to pay 10% on the purchase of taxable goods and services related to gaming programs but only 5% on VLT site contractor commissions.

The GST paid on property, plant and equipment for gaming is set up as part of the cost of the asset and is amortized on a straight-line basis over the useful life of the property, plant and equipment.

SLGA also pays GST to the Canada Revenue Agency and claims input tax credits on all its liquor and other taxable purchases.

9. Pension Plan

SLGA sponsors a defined benefit plan and participates in a multi-employer defined contribution plan covering substantially all of its employees. The defined contribution plan is called the Public Employees Pension Plan (PEPP). During the year, SLGA paid PEPP and expensed a total of $2,633 thousand (2009 - $2,407 thousand) which included required current contributions.

The Liquor Board Superannuation Commission administers the defined benefit plan, Liquor Board Superannuation Plan (Plan), for SLGA. The Plan provides pensions calculated at 2% of a member's average salary for the five years of highest salary, multiplied by the number of years of service to a maximum of 35. This Plan has been closed to new members since 1977.

AON Consulting Inc. performed the valuation of the Plan as at September 30, 2008 and extrapolated the valuation to December 31, 2009. The accrued benefit obligation is based on a number of assumptions about future events including: discount rate, rate of salary increases, mortality, retirement rates, and inflation. The following significant assumptions were adopted in measuring the accrued benefit obligation:

	2010	2009
Expected long-term rate of return on plan assets	6.00%	6.25%
Discount Rate	5.80%	7.50%
Salary increases	3.50%	3.50%
Indexing increases to pensions as % of Consumer Price Index	70%	70%
Expected average remaining service life	1.4 years	1.4 years

A 1% change in the following assumptions would impact the accrued benefit obligation as described below:

Assumption	Impact (% of ending accrued benefit obligation)
Discount rate	10.00
Salary	0.10
Inflation	2.55

SLGA's pension costs are included in salary, wages, and benefits on Schedule 1.

	2010 (000's)	2009 (000's)
Current service cost – defined benefit plan	$ 257	$ 506
Current service cost – defined contribution plan	2,633	2,407
Interest cost	2,581	4,019
Expected return on pension plan assets	(568)	(855)
Amortization of net transitional obligation	---	268
Amortization of actuarial losses	1,351	(4,036)
	$ 6,254	$ 2,309

Information about SLGA's defined benefit plan is as follows:

	2010 (000's)	2009 (000's)
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ 45,845	$ 54,530
Current service cost – employer	257	506
Current service cost – employee	90	133
Interest cost	2,581	4,019
Benefits paid	(3,375)	(3,159)
Experience (gain) loss	8,807	(10,184)
	$ 54,205	$ 45,845

	2010 (000's)	2009 (000's)
Plan Assets		
Fair value of plan assets, beginning of year	$ 10,454	$ 14,897
Actual return on plan assets	1,110	(2,014)
Employer contributions	1,304	597
Employee contributions	90	133
Benefits paid	(3,375)	(3,159)
Fair value of plan assets, end of year	$ 9,583	$ 10,454
Funded status	$ 44,622	$ 35,391
Unamortized net actuarial gains/(losses)	(4,448)	2,432
Accrued pension liability	$ 40,174	$ 37,823

The Plan holds all of its assets in various pooled funds. The Plan's holdings consist of 24.5% (2009 – 20.6%) in a Canadian equity pooled fund, 27.7% (2009 – 30.2%) in foreign equity pooled funds, 44.9% (2009 – 42.5%) in a bond and debenture pooled fund and 2.9% (2009 – 6.7%) in a money market pooled fund.

The forecast of net cash outflows (cash outflows net of cash inflows) for the Plan have been determined using the long-term assumptions noted above and are described below. The cash inflow is the amount of contributions received by the defined benefit plan and the cash outflow is the amount required to pay all pension obligations. The net cash outflows include a 6.00% (2009 – 6.25%) assumed rate of return on investments.

	Net Cash Outflow (000's)
Next 5 years	$ 1,260
Next 10 years	$ 2,678
Next 30 years	$ 7,570

The accrued pension liability is long-term in nature and there is no market for settling these pension obligations. Therefore, the determination of the fair value of the pension liability is not practicable.

10. Casino Operating Agreement with the Saskatchewan Indian Gaming Authority

Effective June 11, 2007 the Province and the Federation of Saskatchewan Indian Nations (FSIN) agreed to amend the 2002 Framework Agreement for the purpose of increasing economic and employment opportunities for Aboriginal peoples through casino development within the parameters of *The Criminal Code of Canada*. This amendment also permitted SIGA to retain $5 million from slot machine operations as a one-time capital reserve for the sole purpose of acquiring capital assets. This $5 million is a receivable due from SIGA and is included in slot machine receivable disclosed in Note 7.

The 2002 Framework Agreement has a term of 25 years. Similar to its predecessor, the 1995 Framework Agreement, the 2002 Framework Agreement requires the Province to retain a portion of the net profits from slot machines in the GRF and distribute the remaining profits to the First Nations Trust and the Community Development Corporations.

To implement the Framework Agreement, SLGA and SIGA made agreements for casino operations and slot machine management. The Casino Operating Agreement requires SIGA to pay the net profits from slot machines to SLGA. This agreement also ensures SLGA recovers the cost of slot machines, the related computer system, and interest over five years.

Also under the Agreement, SIGA has granted a first charge security interest on all its present and after acquired assets to SLGA to secure contractual obligations of SIGA under the Agreement. However, the Agreement requires SLGA, upon joint written request by SIGA and its lenders, to postpone such security in favour of the lenders who require a prior charge relating to funds lent to SIGA for the financing of its operations carried out in accordance with the Agreement. As of March 31, 2010, SIGA owes $73.1 million under a $79 million long-term financing agreement with a financial institution (Bank) (Note 11). SLGA has postponed its security in regards to this financing agreement.

In order to manage its interest rate exposure, SIGA entered into separate interest rate swap arrangements for its long-term debt related to the Dakota Dunes, Living Sky and Painted Hand construction projects. The interest rate swaps came into effect on April 1, 2008 and April 1, 2009. These swap arrangements fixed the interest rates at 4.94% to 5.09% for the duration of the long-term debt (March 31, 2023 and March 31, 2024).

Under the Casino Operating Agreement between SIGA and SLGA, SIGA is permitted to charge its losses from table games and ancillary operations as an expense of slot machine operations. As well, the Casino Operating Agreement requires SIGA to pay to the Indigenous Gaming Regulators Inc. (IGR) funds equal to IGR's operating budget upon direction from SLGA.

Effective for the year ended March 31, 2008 and subsequent years, the Casino Operating Agreement between SIGA and SLGA has been amended to exclude unrealized gains and losses on the interest rate swaps initiated on December 12, 2007, from the calculation of net Casino profits payable to SLGA. These unrealized gains and losses are netted against the slot machines receivable due from SIGA disclosed in Note 7. As of March 31, 2010, the accumulated unrealized loss reducing the slot machines receivable was $5,493 thousand (2009 – $10,360 thousand).

In addition, under an agreement with Saskatoon Prairieland Park Corporation (SPPC), SIGA is required to pay SPPC compensation for the closure of its casino (Note 11).

During the year, SIGA charged losses as an expense of slot machine operations, and paid IGR and SPPC as follows:

	2010 (000's)	2009 (000's) (Note 21)
Table games revenues	$ 11,257	$ 8,857
Table games expenses	15,012	10,923
Net losses from table games	$ 3,755	$ 2,066
Ancillary operations revenues	$ 11,042	$ 10,935
Ancillary operations expenses	22,514	16,427
Net losses from ancillary operations	$ 11,472	$ 5,492
Total losses expensed	15,227	7,558
IGR payment	2,912	2,607
SPPC payment	2,600	2,600
	$ 20,739	$ 12,765

11. Commitments

SLGA

Leases: SLGA, as lessee, is committed to pay under operating leases on leased premises the following minimum amounts in future years:

Year Ending March 31	(000's)
2011	$ 3,429
2012	2,697
2013	2,521
2014	2,444
2015	1,262
Subsequent years	1,088
Total	$ 13,441

SIGA Leases, Sponsorships, Casino and Debt

Under the Casino Operating Agreement, SLGA allows SIGA to recover its costs for approved casino operating expenses, contractual obligations, and commitments from SLGA's slot machine revenues. SIGA's contractual obligations and commitments are as follows:

Operating leases: SIGA has obligations under casino operating leases for buildings, equipment and vehicles. The minimum lease payments over the next five years are as follows:

Year Ending March 31	(000's)
2011	$ 5,410
2012	4,746
2013	4,654
2014	4,475
2015	4,064
	$ 23,349

The above commitments include amounts committed to parties related to SIGA totalling $12,842 thousand for years 2011 through 2015.

Capital Leases: SIGA has entered into capital lease agreements for the Dakota Dunes, Living Sky and Painted Hand Casinos with related parties. The minimum lease payments under these capital lease obligations are as follows:

Year Ending March 31	(000's)
2011	$ 6,090
2012	6,090
2013	6,090
2014	6,090
2015	6,090
Subsequent years	75,916
Total	$ 106,366

Due to the related party nature of the capital lease obligation, fair value information has not been disclosed as fair value cannot be reliably measured.

Long-term debt: In 2007, SIGA made a long-term financing agreement with the Bank for $79 million to finance new casino projects. As of March 31, 2010, SIGA owes $73,098 thousand (2009 - $65,615 thousand) under this agreement at interest rates varying from 4.94% to 5.09%. SIGA's principal repayments are as follows:

Year Ending March 31	(000's)
2011	$ 5,498
2012	4,976
2013	5,040
2014	46,999
2015	10,585
Total	$ 73,098

Other: The Casino Operating Agreement requires SIGA to transfer to IGR funds to support IGR's annual operating budget. For 2011, the budgeted transfers are $3,407 thousand (2010 - $3,112 thousand).

As well, under an agreement with SPPC and effective August 10, 2007, SIGA began paying SPPC $2,600 thousand annually, subject to certain conditions, for 30 years payable in monthly installments of $217 thousand. In 2010, SIGA paid $2,600 thousand (2009 - $2,600 thousand) to SPPC, which is recorded as part of the SIGA other operating expenses.

12. Liquor Sales

	2010 (000's)	2009 (000's)
Wines, coolers and spirits		
In stores:		
-To permittees	$ 58,349	$ 55,953
-To public	191,495	180,209
	249,844	236,162
To franchisees:		
-To permittees	6,447	7,280
-To public	25,665	21,914
	32,112	29,194
	281,956	265,356
Beer		
-To permittees	142,401	138,991
-In stores	105,499	92,550
-To franchisees	11,239	9,574
	259,139	241,115
Total	$ 541,095	$ 506,471

13. 2010 Budget

These amounts represent the budget approved by Treasury Board.

14. Segmented Information

SLGA operates in four segments – liquor, VLT, slots in SIGA casinos, and other gaming.

The liquor segment reflects the retailing and licensing of beverage alcohol activities within the province.

The VLT segment reflects the operation of the VLT program under the authority of Section 207 of *The Criminal Code of Canada* and *The Alcohol and Gaming Regulation Act, 1997.*

The slots in SIGA casinos segment reflect the operations of SLGA's slot machines in SIGA casinos (see Note 10).

The Other Gaming segment reflects the licensing and support of charitable and religious organizations that conduct and manage bingos, casinos, raffles, and breakopen ticket sales and the regulation and

support of the horse racing industry. The Other Gaming segment also includes the breakopen vending machine program.

The breakopen vending machine operations consists of vending machines capable of dispensing lottery tickets that may have a stipulated prize hidden under a paper covering. On behalf of SLGA, tickets for the breakopen vending machine (breakopen) operation are distributed by Pollard Banknote Limited Partnership. The breakopen operation had revenues net of prizes of $497 thousand (2009 - $671 thousand) and expenses (including operating expenses, Goods and Services Tax, and distributions to charities) of $497 thousand (2009 - $624 thousand) for the year. Included in Other Gaming segment is a $nil gain (2009 - $47 thousand gain) relating to the breakopen operation.

Key amounts by segment as follows:

	SEGMENTS					
	2010 (000's)					2009 (000's)
	LIQUOR	VLT	SLOTS IN SIGA CASINOS	OTHER GAMING	TOTAL	TOTAL
Revenues	$ 541,095	$ 225,835	$ 229,965	$ ---	$ 996,895	$ 965,130
Other Income	2,914	257	---	342	3,513	2,638
Total Revenues	544,009	226,092	229,965	342	1,000,408	967,768
Promotional Allowances	---	---	8,764	---	8,764	6,788
Direct Expenses	272,098	34,264	---	---	306,362	290,581
Operating Expenses	66,618	8,714	160,960	20,770	257,062	228,096
Total Expenses	338,716	42,978	169,724	20,770	572,188	525,465
Subtotal	205,293	183,114	60,241	(20,428)	428,220	442,303
Unrealized gain (loss) on Interest rate swaps (Note 18)	---	---	4,867	---	4,867	(7,346)
Net income (loss)	205,293	183,114	65,108	(20,428)	433,087	434,957
Retained earnings (deficit) beginning of year	---	---	(10,974)	(2,776)	(13,750)	(2,055)
Transfer to General Revenue Fund	205,293	183,114	64,721	(23,204)	429,924	446,652
Retained earnings (deficit) end of year	$ ---	$ ---	$ (10,587)	$ ---	$ (10,587)	$ (13,750)
Property, plant and equipment purchases	$ 3,770	$ 107	$ 3,460	$ ---	$ 7,337	$ 13,505
Amortization	$ 3,635	$ 453	$ 9,469	$ 463	$ 14,020	$ 14,051

15. Related Parties

These financial statements include transactions with related parties. SLGA is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, SLGA is related to non-Crown enterprises that the Government jointly controls or significantly influences. In addition, for financial reporting purposes, SLGA is considered a related party to SIGA because of its significant influence over SIGA's operations.

Routine operating transactions with related parties are recorded at the agreed upon rates and are settled on normal trade terms. These transactions are as follows:

Category	2010 (000's)	2009 (000's)
Salaries, wages, and benefits	$ 7,553	$ 3,695
Rent, utilities, and insurance	4,142	3,298
Customer service programs	661	715
Communications	545	579
Accounts payable and accrued liabilities	4,999	2,428

In addition, SLGA pays Saskatchewan provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

SLGA collected the following amount for the Ministry of Finance:

	2010 (000's)	2009 (000's)
Container deposits on domestic beer sales	$ 24,975	$ 23,629
Liquor Consumption Tax	30,513	27,874
Container deposits on all wine, cooler, spirit and Imported beer products	6,239	5,974

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

16. Contingencies

As part of ongoing operations SLGA faces legal actions initiated by third parties and contract disputes. At year-end there were actions outstanding against SLGA, which the ultimate outcome is not yet determinable. Settlements arising from the resolution of these actions will be accounted for in the year in which the settlements occur.

17. Western Canada Lottery Corporation

The Saskatchewan Video Lottery Division (Division) of the Western Canada Lottery Corporation (WCLC) operates the video lottery terminals and central computer system on behalf of SLGA. WCLC provides accounting, purchasing, cash disbursements, human resources and technical services for the VLT program. WCLC also operates and generally maintains the slot machines and related computer

system at the SIGA casinos for SLGA and the breakopen vending machines on behalf of SLGA. For the year ended March 31, 2010, WCLC charged SLGA $12,593 thousand (2009 - $12,495 thousand) to operate the VLT, slot machine program and the breakopen vending machines for the year.

WCLC sponsors a defined benefit retirement plan for the employees of the Division. The cost of the retirement plan is included in the amount paid to WCLC. During the year, SLGA paid WCLC and expensed a total of $727 thousand (2009 - $425 thousand) which is included in salary, wages, and benefits on Schedule 1.

As of March 31, 2010, the retirement plan is in a funded deficit status of $2,001 thousand (2009 - $703 thousand funded surplus status).

18. Financial Instrument Risks

SLGA is exposed to a number of financial risks in the normal course of operations.

Credit and Interest Rate Risk

SLGA is exposed to minimal credit and interest risks from the potential non-payment of accounts receivable as most receivables are either short-term and are collected shortly after year end or are from SIGA. SLGA exerts significant influence over SIGA's operations and SIGA remits the amount owing to SLGA in accordance with the Casino Operating Agreement described in Note 10. The VLT receivable is collected shortly after March 31 in accordance with the agreement for services between SLGA and WCLC as described in Note 17.

The maximum credit risk from these financial instruments is limited to the carrying value of the financial assets summarized below:

	2010 (000's)	2009 (000's)
Cash	$ 2,409	$ 5,251
Due from General Revenue Fund	42,492	39,645
Accounts Receivable	53,203	34,070
	$ 98,104	$ 78,966

As described in Note 2(h), SLGA is exposed to the SIGA's credit and interest rate risks. SIGA's financial instrument risks arise mainly from its bank financing ($73,098 thousand – March 31, 2010; $65,615 thousand – March 31, 2009) and its interest rate swap arrangements which are partially offset by changes in interest rates on its variable borrowings. At March 31, 2010, if interest rates at that date had changed 100 basis points, with all other variables held constant, SLGA's net income would have changed $3,325 thousand.

As of March 31, 2010, there was no impairment required on any of the financial assets of SLGA and SIGA.

Foreign Currency Exchange Risk

SLGA is exposed to foreign exchange risk due to purchase transactions for liquor and electronic gaming machines. As of March 31, 2010, SLGA had $132 thousand (2009 - $332 thousand) in United States (U.S.) financial liabilities. SLGA is also exposed to foreign exchange risks resulting from a US

dollar denominated cash deposit account. This U.S. dollar denominated cash deposit account is included in SLGA's group of Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. As of March 31, 2010, SLGA has $486 thousand (2009 – $427 thousand) in this account.

In 2010, SLGA recorded a $7 thousand loss (2009 - $860 thousand loss) due to the variation in the foreign exchange rates.

To date, SLGA has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

Liquidity Risk

Liquidity risk is the risk that SLGA will not be able to meet its financial obligations as they fall due. The majority of SLGA operational activity involves cash sales and short-term accounts receivables. All financial liabilities are due within one year. SLGA relies on funds generated from its operations to meet operating requirements and to finance capital investment.

19. International Financial Reporting Standards

SLGA will prepare its financial statements in accordance with IFRS starting on April 1, 2011, including the preparation and reporting of one year of comparative figures. To manage the transition to IFRS, SLGA has contracted with an external advisor to provide policy advice and consulting services regarding IFRS for SLGA.

In 2009, a high-level scoping review was completed taking into consideration the potential impact of the convergence of Canadian GAAP to IFRS. Generally, the areas expected to have the greatest financial impact on SLGA include:

(i) First Time Adoption of IFRS due to the choices that will have to be made, the dual recordkeeping that will be required in 2011 and the significant disclosures that will be required in 2012; and

(ii) Property, plant and equipment due to the detailed differences between Canadian GAAP and IFRS.

There is also a risk undertaken when there are changes in accounting standards and policies. The adoption of IFRS may impact SLGA's current accounting policies and SLGA's financial measurement results due to recognition and measurement differences between IFRS and current Canadian GAAP which may in turn impact SLGA's financial condition and results of operation.

Throughout 2010, SLGA will continue to manage the transition to IFRS through assessments of various accounting policy elections for first-time IFRS adoption and identifying process and system requirements over a transition period expected to end in 2011.

20. Capital

SLGA's capital structure consists of short term and long term debt, cash and cash equivalents, and retained earnings. The Treasury Board determines the disposition of SLGA's retained earnings (Note 4). SLGA management's objectives to manage its capital are to use capital to provide an appropriate return on investment to the Government of Saskatchewan and to preserve financial flexibility in order to maintain SLGA's ability to meet financial obligations.

SLGA does not set a target rate of return on capital for managing its operations but rather promotes year-over-year sustainable profitable growth. SLGA is not subject to any externally imposed capital requirements.

21. Comparative Figures

Certain prior year balances have been reclassified to conform to the current year's financial statement presentation.

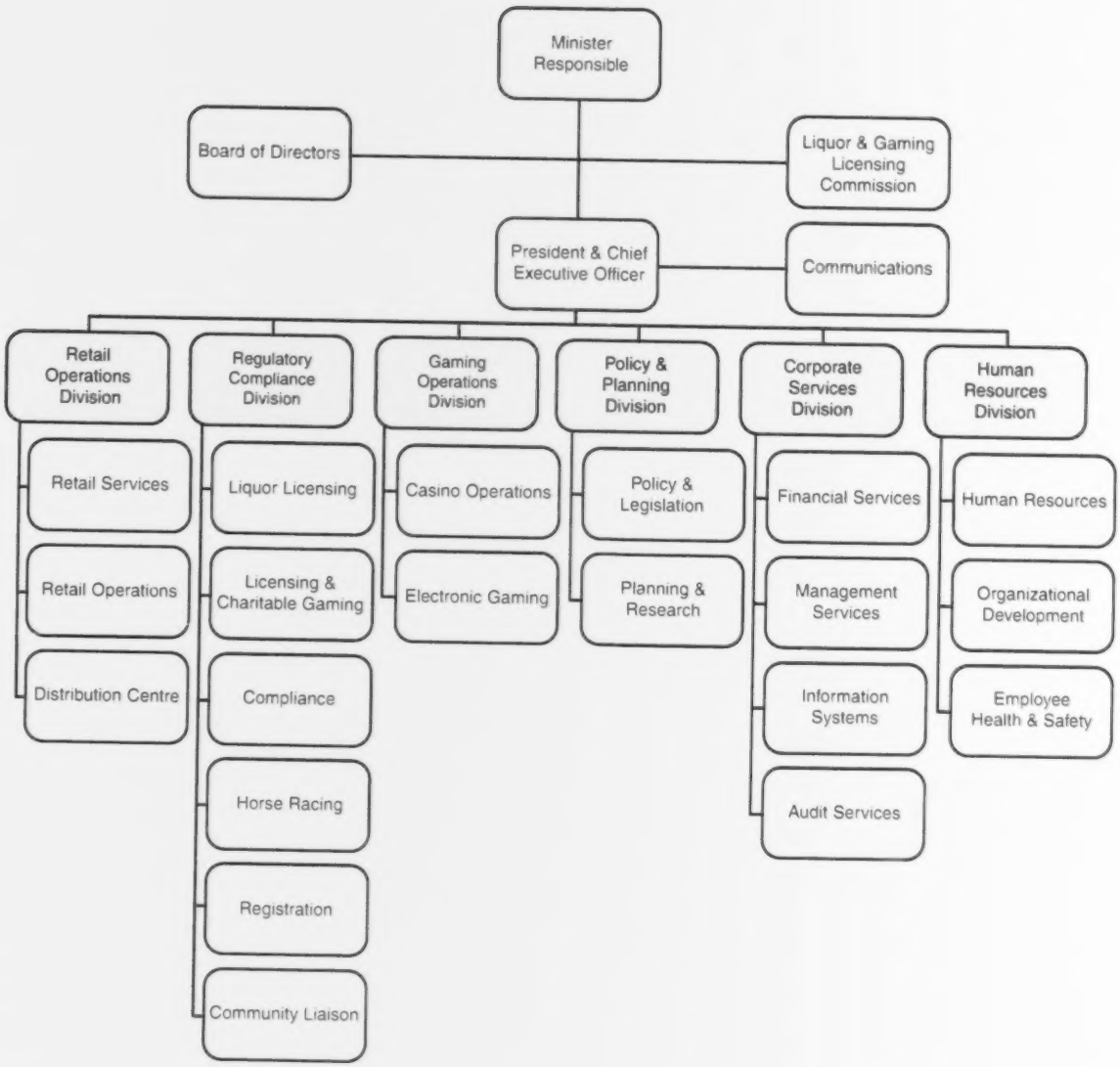
Schedule 1

LIQUOR AND GAMING AUTHIORITY
SCHEDULE OF OPERATING EXPENSES
For the Year Ended March 31

	VLT, Liquor & Other Gaming		Slots in SIGA Casinos*		Total	
	2010 (000's)	2009 (000's)	2010 (000's)	2009 (000's) (Note 21)	2010 (000's)	2009 (000's) (Note 21)
Salaries, wages and benefits	$ 50,442	$ 42,280	$ 50,929	$ 48,771	$ 101,371	$ 91,051
Advertising, printing and promotion	73	87	26,131	28,127	26,204	28,214
Operations and maintenance	2,370	1,788	22,428	17,219	24,798	19,007
Rent, utilities and insurance	7,357	6,729	9,480	8,022	16,837	14,751
Property, plant and equipment amortization	4,551	5,671	9,469	8,380	14,020	14,051
Professional and contractual services	8,368	6,583	4,016	7,009	12,384	13,592
Grants (Note 2g)	10,859	9,069	---	---	10,859	9,069
Service charges and interest	575	546	8,726	3,294	9,301	3,840
Goods and Services Tax	1,965	2,106	3,658	4,661	5,623	6,767
Debit/Credit charges	2,996	2,553	---	---	2,996	2,553
Communications	1,283	1,237	1,570	792	2,853	2,029
Stationery and supplies	1,331	1,444	810	1,537	2,141	2,981
Sundry	545	535	1,537	812	2,082	1,347
Travel and business	1,227	1,351	853	1,727	2,080	3,078
Information technology	1,933	1,628	---	---	1,933	1,628
Honoraria and related expenses	104	69	614	544	718	613
Customer service programs	123	760	---	---	123	760
Indigenous Gaming Regulators (Note 10)	---	---	2,912	2,607	2,912	2,607
Saskatoon Prairieland Park Corporation (Note 10)	---	---	2,600	2,600	2,600	2,600
SIGA table and ancillary operation losses (Note 10)	---	---	15,227	7,558	15,227	7,558
	$ 96,102	$ 84,436	$ 160,960	$ 143,660	$ 257,062	$ 228,096

*Represents operating costs of SIGA Casinos.

Appendix A
SLGA Organizational Chart



Appendix B
Summary of SLGA's Partners and Stakeholders

Bingo Charity Associations and Individual Non-profit Groups. Charity associations and individual non-profit groups are the traditional beneficiaries of the gaming industry.

Brewers Association of Canada. Represents the breweries as well as several microbreweries. www.brewers.ca

Canadian Restaurant and Foodservices Association (CRFA) (Saskatchewan Division). The CRFA has approximately 600 members in Saskatchewan including both licensed and non-licensed establishments. www.crfa.ca

Canadian Vintners Association. This is a national association dedicated to the promotion and well-being of Canada's wine sector. www.canadianvintners.com

Canadian Centre on Substance Abuse (CCSA). The Canadian Centre on Substance Abuse is Canada's national addictions agency. Its mission is to provide objective, evidence-based information and advice that will help reduce the health, social and economic harm associated with substance abuse and addictions. www.ccsa.ca

Federation of Saskatchewan Indian Nations (FSIN). The FSIN represents 74 of Saskatchewan's First Nations. SLGA works with the FSIN in implementing the terms of the Gaming Framework Agreement. www.fsin.com

Indigenous Gaming Regulators (IGR). IGR licenses and regulates table games at SIGA casinos and on-reserve charitable gaming activities of those First Nations that have designated IGR as their regulator. www.igr.ca

Non-Profit Clubs. Consists of ethnic associations, service clubs, veteran organizations and sporting clubs (including golf and curling) that have a permanent facility/clubhouse and a special use permit (as opposed to groups who use special occasion permits and may or may not have a permanent location).

Pollard Banknote Limited. Pollard Banknote is Saskatchewan's sole source for breakopen gaming tickets. www.pollardbanknote.com

Responsible Gambling Council (RGC). The RGC is a non-profit organization that works with individuals and communities to address gambling in a healthy and responsible way. The Council undertakes research and public awareness programs designed to prevent gambling-related problems. www.responsiblegambling.org

Saskatchewan Government and General Employees Union (SGEU). Ninety per cent of SLGA employees are unionized and represented by SGEU. www.sgeu.org

Saskatchewan Hotel and Hospitality Association (SHHA). Established in 1932, approximately 475 hotels and motels belong to SHHA. They represent both hotel owners and operators in urban areas and rural communities. www.hotelsofsask.com

Saskatchewan Indian Gaming Authority (SIGA). SIGA operates the province's six First Nations casinos on behalf of the FSIN. www.siga.sk.ca

Saskatchewan Liquor Vendors Association (SLVA). SLVA represents all of the rural liquor franchises. Franchises are licensed by SLGA to sell beverage alcohol in rural communities across the province.

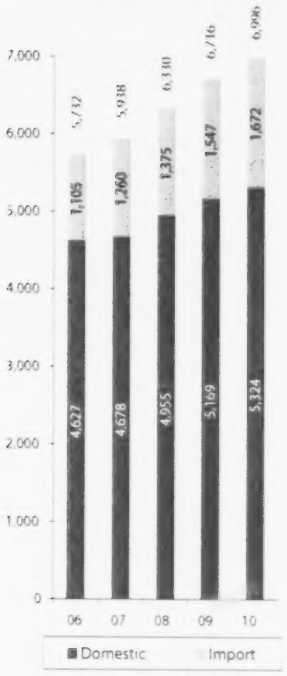
Saskatchewan Wine and Spirits Association (SWSA). SWSA is a provincial association dedicated to the promotion of wine and spirits within the provincial liquor industry.

Spirits Canada. Spirits Canada, also known as the Association of Canadian Distillers, is the national trade association of Canadian manufacturers and marketers of distilled spirit products including Canadian whisky, rum, vodka, gin, liqueurs and coolers. www.canadiandistillers.com

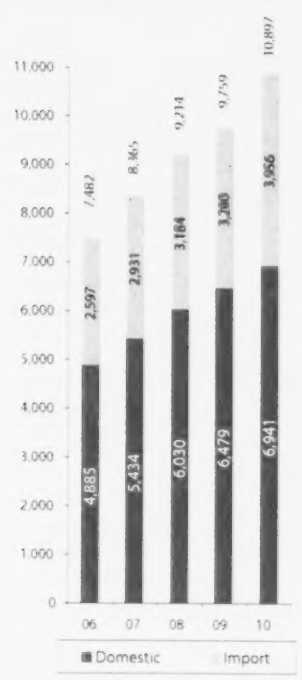
Western Canada Lottery Corporation (WCLC). WCLC is a non-profit organization authorized to operate lottery and gaming-related activities as agent for SLGA. www.wclc.com

Appendix C
Volume of Sales – Five Year History
Financial Years ending March 31

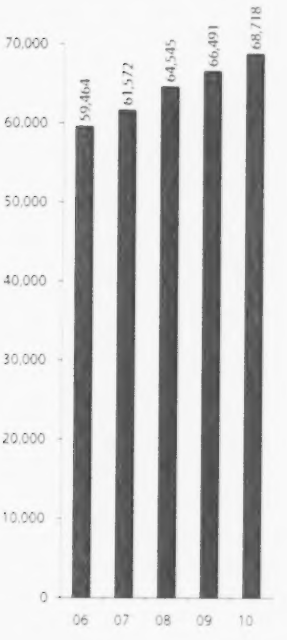
Spirits (000s of litres)



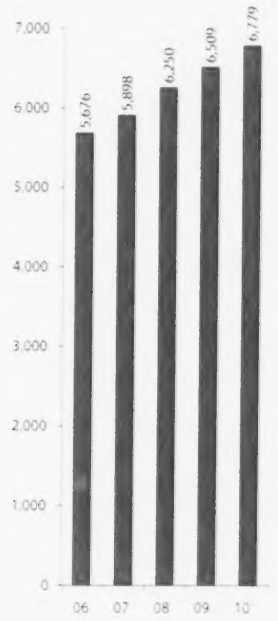
Wine and Coolers (000s of litres)



Beer (000s of litres)

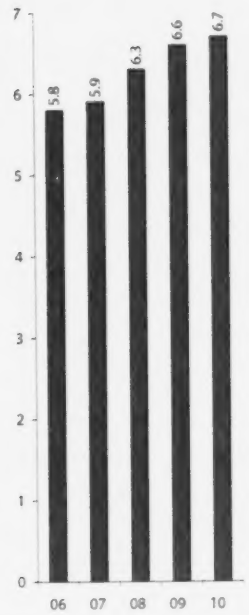


Absolute Alcohol (000s of litres)

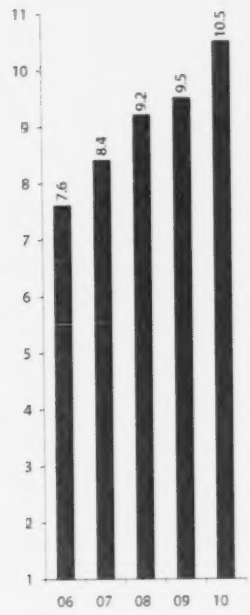


Appendix D
Per Capita Sales – Five Year History
Financial Years ending March 31

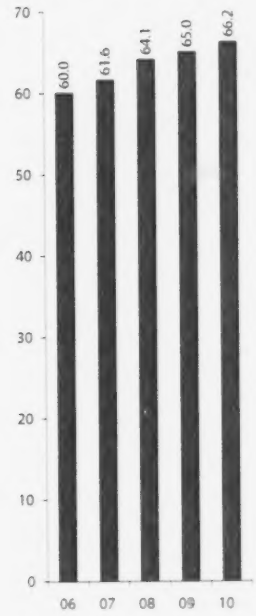
Spirits (litres)



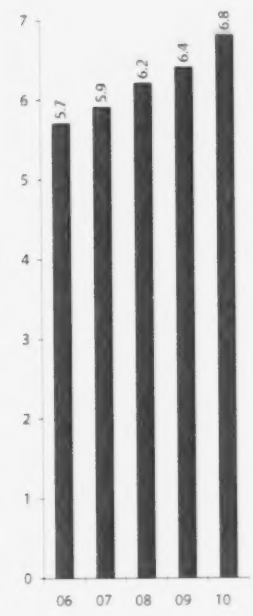
Wine and Coolers (litres)



Beer (litres)



Absolute Alcohol (litres)



Appendix E
Saskatchewan Liquor and Gaming Licensing Commission

The Saskatchewan Liquor and Gaming Licensing Commission (Commission) is an independent body which reviews:

a) decisions of the Saskatchewan Liquor and Gaming Authority (SLGA) with respect to liquor and gaming licensing, registration and cancellation/suspension matters within SLGA's jurisdiction, including its jurisdiction over Saskatchewan Gaming Corporation (SGC) and Saskatchewan Indian Gaming Authority (SIGA) casinos, horse racing, off-reserve bingo and all provincial liquor permittees;
b) decisions of casino operators (SIGA and SGC) respecting involuntary casino bans of patrons from their respective casinos;
c) decisions of the Indigenous Gaming Regulators (IGR) respecting on-reserve gaming such as bingo.

The Commission's primary role is serving as an independent and fair quasi-judicial appellate body mandated to ensure proper application of the legislation and regulations governing the liquor, gaming and horse racing industries over which it has jurisdiction, while ensuring the fairness and integrity of those industries. Any licensed party who disagrees with a decision of SLGA, SIGA, SGC or IGR that is within the Commission's jurisdiction has the right to apply to the Commission for a review. In most circumstances, the Commission stays the decision in issue pending the outcome of the Commission's review. Similarly, any individual who has been involuntarily banned from a casino may request a review before the Commission.

During 2009-10, the Commission scheduled and held 41 hearings to address the same number of requests for review of various decisions made by SLGA and SGC. In order to accommodate the public, hearings are scheduled whenever possible at the nearest major centre in the province to the cause of action. Eighteen hearings were held in Regina, 21 hearings were held in Saskatoon and two in Yorkton.

The applications have included reviews of SLGA's decisions to suspend and deny liquor permits of various establishments, decisions to cancel certificates of registration to individuals with respect to gaming, to review involuntary casino bans handed down by SGC and to review suspensions and denials of licences relating to issues in contravention of the Rules of Racing in the horse racing industry. As well, the Commission reviews objections by the public to the granting of permits. The Commission may decline to hear objections to liquor applications that are competition-based, frivolous or vexatious. During 2009-10, one objection to the issuance of a permit was filed with the Commission and the Commission held a hearing to speak to this objection.

Of the 41 hearings held during the past fiscal year, 23 were liquor related, comprised of assessments of penalties and suspensions and denials of permits. Twelve hearings were gaming related, comprised of five denials, two suspensions and one cancellation of gaming employee Certificates of Registration and six casino ban reviews. There were six hearings held with respect to horse racing, involving violations of the horse racing rules.

The Commission provides written reasons for its review on the merits of all matters it hears. These written decisions are a matter of public record and are maintained in the office of the Commission Registrar.

The Commission members as of March 31, 2010:

Elaine R. Morgan, Chairperson, Gainsborough
Rod Sexsmith, Vice-Chairperson, Prince Albert
Sid Katzman, Secretary, Saskatoon
Theodore (Ted) Gleim, Member, Eastend
Murray Coulter, Member, Arborfield
Lawrence Skoretz, Member, Ituna

The Commission also has a part-time Registrar.

Since 1997, the Commission has initiated procedural changes and is constantly developing its own policies to continue to ensure equitable treatment of all parties appearing before it. The Commission also makes written recommendations to SLGA regarding any significant regulatory issues that come to its attention through contact with the industries within its jurisdiction. It also continues to stay up to date in the changing environment of administrative law and the industries it regulates through its own research.

Appendix F
SLGA Fact Sheet: 2009-10 Results at a Glance

Financial	
SLGA net income	$433.1 M
SIGA net income	$65.1 M
Total gross liquor sales	$541.1 M
Liquor net income	$205.3 M
VLT net income	$183.1 M
VLT site commission	$34.3 M
Franchise commission	$6.9 M
Off-sale permittee beer discount	$8.2 M
Structure and Organization	
Number of SLGA employees	1,103
Number of retail liquor stores	79
Number of communities with SLGA stores	64
Number of off-sale outlets	450
Number of rural liquor franchises	186
Number of specialty wine store franchises	2
Total number of liquor outlets	717
Number of products listed by SLGA	2,124
Number of casinos	8
Number of slot machines in SIGA casinos	1,870
Number of slot machines in SGC casinos	995
Number of VLTs	3,984
Number of communities with VLTs	313
Number of VLT sites	641
Compliance and Licensing	
Number of commercial liquor permittees	1,681
Number of special occasion permits issued	15,938
Number of investigation contacts	2,207
Number of inspection contacts	6,435
Number of sanctions (liquor, gaming and horse racing)	320
Number of registered gaming employees	3,712
Number of registered gaming suppliers	77
Charitable Gaming and Horse Racing	
Total gross bingo sales (before prizes awarded)	$58.8 M
Total gross raffle sales (before prizes awarded)	$40.8 M
Total gross breakopen sales (before prizes awarded)	$14.5 M
Total gross Texas Hold'em and Monte Carlo event sales	$0.4 M
Total net proceeds to charity (bingo, raffle, breakopen, Texas Hold'em & Monte Carlo)	$27.0 M
Number of bingo halls	14
Total number of bingo, raffle, breakopen, Texas Hold'em & Monte Carlo licences	3,129
Total grants paid to charitable gaming licensees	$7.8 M
Total provincial handle (all horse racing wagers)	$11.2 M
Total grants paid to the horse racing industry	$1.5 M
Race tracks receiving grant support from the province	3

All data as of March 31, 2010

Where to Obtain Additional Information

If you have any questions or comments about SLGA's Annual Report, or if you have specific questions about the programs and services provided by SLGA, please contact:

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Regina, SK, S4P 3M3
www.slga.gov.sk.ca
(306) 787-4213 or Toll Free 1-800-667-7565.